

# Debt & Capital Update

Funding Capital Needs While  
Maintaining AAA Bond Ratings

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# Agenda

1. Background
2. Debt & Capital Model Update
3. Proposed Capital Funding Strategy FY2026-FY2032
4. Next Steps
5. Questions



# Background

# PAYGO (cash) and Debt are used to fund capital

## PAYGO characteristics:

- Commits current resources
- Ownership is immediate
- Affordability determined easily

## Debt characteristics:

- Commits resources over time
- Ownership can be delayed
- Affordability determined through financial modeling

# Appropriate use of PAYGO and Debt

## Use PAYGO for:

- Smaller size & cost assets
- Shorter useful life & benefit
- Examples: technology; minor renovations; FF&E



## Use Debt for:

- Larger size & cost assets
- Longer useful life & benefit
- Part of multi-year program
- Examples: Schools; County parks; County facilities



# Advantages using Debt for larger assets

- **Affordability**
  - Lower tax burden required to fund larger assets with Debt vs. PAYGO
  - AAA bond ratings ensure lowest cost to finance
- **Flexibility**
  - Debt payments are spread out over time into the future
  - Allows for current resources to address other pressing priorities
- **Intergenerational Equity**
  - Major assets typically have significant useful life spanning decades
  - Appropriate for multiple generations to pay their fair share over time

# Long-term permanent debt types

## General Obligation Bonds (GO)

- Voter authorized; Board authorized
- 20-year repayment on avg.
- Lowest cost permanent debt
- Backed by full faith and credit and taxing authority of County
- Example: County parks

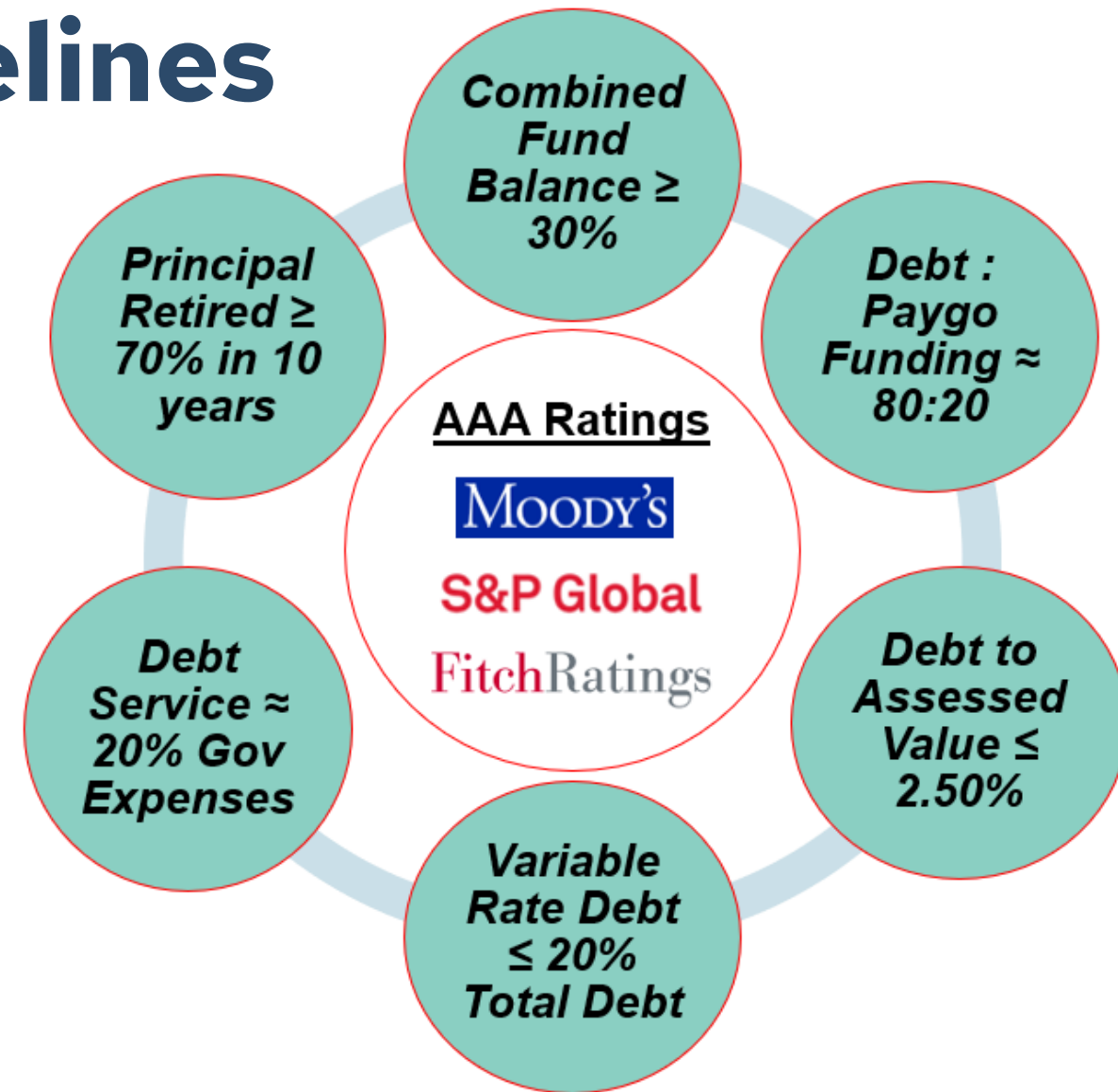
## Limited Obligation Bonds (LOBs)

- Board authorized
- 20-year repayment on avg.
- Slightly higher cost than GO
- Backed by assets being purchased or constructed (i.e., collateral is required)
- Example: WCJC building

# Debt policies & guidelines

## Integral to County's success

- Goal: maintain AAA ratings
- Rating agency criteria provides framework for County policy
- Clear bounds of operation for rolling 7-yr CIP development
- Policy & metrics frequently benchmarked against peers





# How does County measure its policy performance to ensure continued success?

- By using a long-term, comprehensive financial model (aka, "Debt & Capital Model"; "Debt Model"; or "Model")
- Debt & Capital Model is maintained in close partnership with County's Financial Advisor:





# Debt & Capital Model Update

# Debt & Capital Model defined

- **Excel based financial tool utilized for complex analysis**
  - Guide and inform County decisions in development of rolling 7-year CIP
  - Determine viability & affordability in capital planning
  - Understand current & future tax impacts in capital planning
  - Gauge impacts & opportunity costs of different capital funding scenarios
  - Measure current & projected future performance of key policy metrics
  - Ensure AAA ratings are maintained
- **Includes base assumptions which are monitored & adjusted annually as necessary**
- **Ongoing update of Model inputs through year**
  - Annual budget development; completion of Annual Report; debt issuances

# Revenue assumptions

Prior - FY2025 Budget Development	FY2025*	FY2026	FY2027	FY2028	FY2029*	FY2030	FY2031	FY2032
Property Tax Rate - Total (¢ per \$100 value)	51.35	51.60	51.60	52.10	47.58	47.58	47.58	Outside of FY25- FY31 CIP
Property Tax Rate - Dedicated for Capital	14.75	15.00	15.00	15.50	14.15	14.15	14.15	
Property Tax Rate - Dedicated for Operating	36.60	36.60	36.60	36.60	33.43	33.43	33.43	
Property Tax Valuation Growth	47.31%	2.00%	2.00%	2.00%	12.00%	2.00%	2.00%	
Property Tax Collection	99.75%	99.65%	99.65%	99.65%	99.65%	99.65%	99.65%	
Sales Tax Growth	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Investment Earnings	4.00%	3.25%	2.50%	2.50%	2.50%	2.50%	2.50%	
Tax Increase - Dedicated for Capital		.25¢ for Capital (Nov 2024 bond)		est .50¢ for Capital (Nov 2026 bonds)				

*\*revaluation yr*

*\*revaluation yr*

Current - FY2026 Budget Development	FY2025*	FY2026	FY2027	FY2028*	FY2029	FY2030*	FY2031	FY2032*
Property Tax Rate - Total (¢ per \$100 value)	51.35	51.60	51.60	48.77	48.77	46.42	46.42	44.20
Property Tax Rate - Dedicated for Capital	14.75	15.00	15.00	14.53	14.53	13.83	13.83	13.17
Property Tax Rate - Dedicated for Operating	36.60	36.60	36.60	34.24	34.24	32.59	32.59	31.03
Property Tax Valuation Growth	47.31%	2.00%	2.00%	9.50%	2.00%	7.00%	2.00%	7.00%
Property Tax Collection	99.75%	99.75%	99.65%	99.65%	99.65%	99.65%	99.65%	99.65%
Sales Tax Growth	3.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Investment Earnings	4.00%	3.75%	3.25%	2.50%	2.50%	2.50%	2.50%	2.50%
Tax Increase - Dedicated for Capital		.25¢ for Capital (Nov 2024 bond)		est .50¢ for Capital (Nov 2026 bonds)				

*\*revaluation yr*

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*\*revaluation yr*

*\*revaluation yr*

Changes noted in Red

# Expenditure assumptions

Prior - FY2025 Budget Development	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
GO Draw Prog - Variable Rate (Short term debt)	3.86%	3.27%	2.48%	2.48%	2.48%	2.48%	2.48%	Outside of FY25- FY31 CIP
GO Bonds - Fixed Rate (Long term debt)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	
GO Bonds - Amortization Term (Yrs)	19	19	19	19	19	19	19	
LOBs Draw Prog - Variable Rate (Short term debt)	3.86%	3.27%	2.48%	2.48%	2.48%	2.48%	2.48%	
LOBs - Fixed Rate (Long term debt)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	
LOBs - Amortization Term (Yrs)	19	19	19	19	19	19	19	

Current - FY2026 Budget Development	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
GO Draw Prog - Variable Rate (Short term debt)	3.86%	3.66%	3.07%	2.48%	2.48%	2.48%	2.48%	2.48%
GO Bonds - Fixed Rate (Long term debt)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
GO Bonds - Amortization Term (Yrs)	19	19	19	19	19	19	19	19
LOBs Draw Prog - Variable Rate (Short term debt)	3.86%	3.66%	3.07%	2.48%	2.48%	2.48%	2.48%	2.48%
LOBs - Fixed Rate (Long term debt)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LOBs - Amortization Term (Yrs)	19	19	19	19	19	19	19	19

*Changes noted in Red*

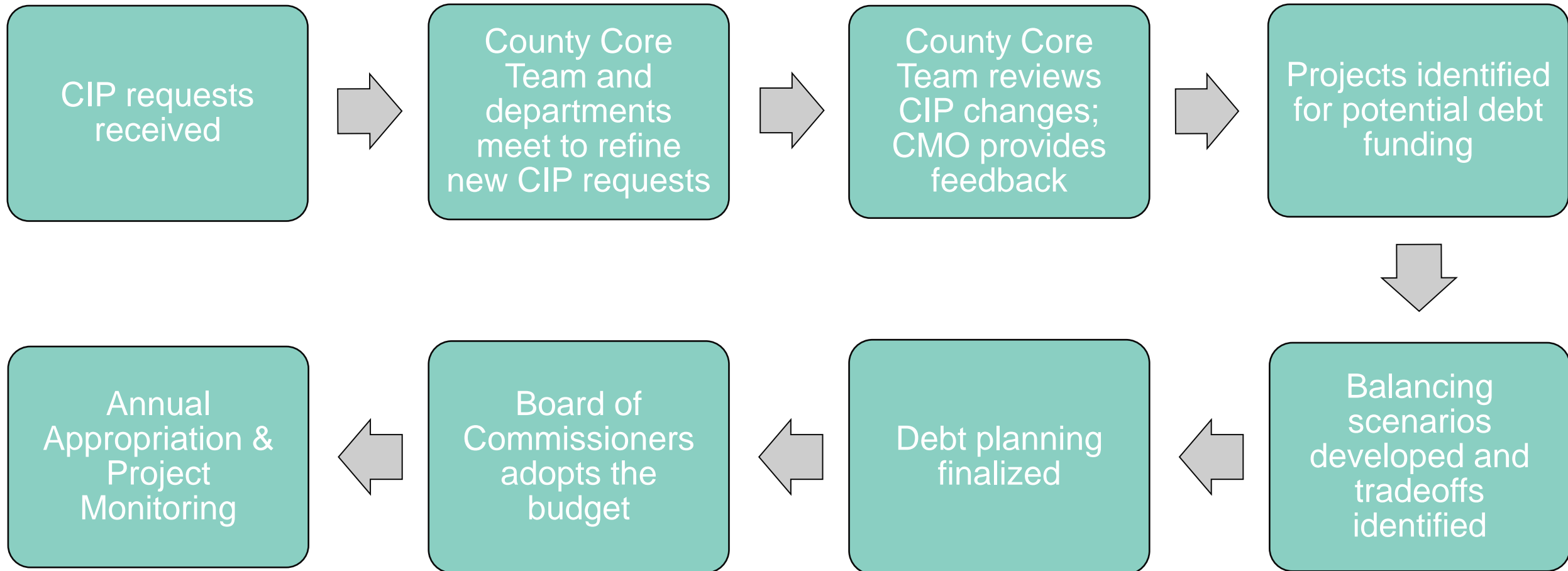


# **Proposed Capital Funding Strategy FY2026-FY2032**

# Proposed WCPSS & WTCC capital funding for FY2026-FY2032

- **WCPSS proposed capital funding \$2.9 billion**
  - Joint Facilities CORE Team has reached consensus on proposed 7-yr CIP
  - Proposed 7-yr CIP continues through validation process at WCPSS
  - Projected Nov 2026 bond of \$698.6 million (2-yr funding)
- **WTCC proposed capital funding \$425.8 million**
  - Projected Nov 2026 bond of \$144.05 million (4-yr funding)
- **Tax impact of projected \$842.65 million combined education bonds on Nov 2026 ballot is estimated at .50¢**

# Annual development of proposed County capital funding





# Proposed County capital funding for FY2026-FY2032

- **Libraries**

- Voters authorized \$142 million bond in Nov 2024 (6-year bond)
- Tax impact of 2024 bond is .25¢ to be levied FY2026
- Projected first debt issuance in FY2026 estimated at \$54 million

- **Human Services Master Plan (Paygo)**

- Projected funding \$41.6 million

- **EMS Master Plan (Debt and Paygo)**

- Projected funding \$68.8 million (dedicated and co-locate stations)

# Proposed County capital funding for FY2026-FY2032

- **Other Planned County Facilities (Debt and Paygo)**
  - Hammond Rd Annex Renovation \$15 million
  - Detention Center Expansion \$152 million
  - Animal Control Shelter \$57 million
  - Decedent Storage Facility \$51.9 million
  - GSA Facility \$91.7 million (proceeds from sale of existing GSA not included)
- **Fire Tax District Master Plan (Debt)**
  - Projected funding \$62.8 million comprised of:
    - Fire Stations \$35.4 million (co-locate stations)
    - Fire Trucks \$27.4 million
  - Fire Tax repays Debt Fund for its allocation of County debt issued

<b>Capital Program:</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
<b>DEBT</b>							
WCPSS	355,275,913	348,371,019	341,561,749	357,029,628	355,592,745	361,638,536	364,671,226
WTCC	86,610,000	86,365,000	36,725,000	36,925,000	35,200,000	35,200,000	92,975,000
Library	11,414,000	43,019,000	18,730,000	16,213,000	18,258,000	19,462,000	14,904,000
County Facilities	10,000,000	241,760,000	59,936,000	-	-	-	-
EMS Facilities	4,515,000	11,706,000	3,850,000	12,370,000	15,684,000	-	-
Fire Facilities & Equip	15,260,430	-	12,457,230	14,597,075	11,361,246	4,085,883	5,059,036
DEBT Total	\$ 483,075,343	\$ 731,221,019	\$ 473,259,979	\$ 437,134,703	\$ 436,095,991	\$ 420,386,419	\$ 477,609,262

<b>PAYGO</b>							
WCPSS	57,500,000	72,200,000	74,400,000	66,600,000	68,700,000	70,800,000	72,782,400
WTCC	4,415,000	4,915,000	-	-	-	-	6,500,000
Human Services	11,757,000	6,411,000	400,000	893,000	9,870,000	838,000	11,470,000
County Facilities - Minor Reno & Maint	24,427,980	24,916,540	25,414,870	25,923,168	26,441,631	26,970,464	27,509,873
Other County CIP Projects	99,017,000	60,037,000	59,026,000	55,771,000	54,441,000	55,960,000	61,392,000
PAYGO Total	\$ 197,116,980	\$ 168,479,540	\$ 159,240,870	\$ 149,187,168	\$ 159,452,631	\$ 154,568,464	\$ 179,654,273

<b>TOTAL FUNDING</b>	\$ 680,192,323	\$ 899,700,559	\$ 632,500,849	\$ 586,321,871	\$ 595,548,622	\$ 574,954,883	\$ 657,263,535
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<b>Tax Increase for Capital</b>	<b>.25 ¢</b>	<b>.50 ¢</b>	<b>TBD</b>
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Legend:

Prior 2022 WTCC Bond
Prior 2024 Library Bond
Future 2-yr WCPSS Bond
Future 4-yr WTCC Bond

**Supports 2024  
Library Bond  
\$142 million**

**Supports 2026  
Proposed WCPSS  
& WTCC Bond**

# Policy measures remain at desired levels

Prior - FY2025 Budget Development	Goal	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Fund Balance Ratio	$\geq 30\%$	37.9%	36.5%	37.6%	37.8%	36.6%	34.4%	32.1%	<b>Outside of FY25- FY31 CIP</b>
% Debt Paid in 10 Years	$\geq 70\%$	71%	70%	71%	71%	72%	72%	73%	
Debt Ratio for Capital Funding	Strive for 80%	68%	80%	81%	81%	77%	77%	77%	
Debt / Assessed Value Ratio	$\leq 1.75\%$	0.98%	1.05%	1.13%	1.20%	1.12%	1.12%	1.11%	
Debt Service as % Total Expenditures	Strive for $\leq 20\%$	17%	17%	17%	19%	20%	20%	21%	

Current - FY2026 Budget Development	Goal	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Fund Balance Ratio	$\geq 30\%$	37.8%	37.3%	39.3%	39.4%	39.1%	37.7%	36.3%	33.3%
% Debt Paid in 10 Years	$\geq 70\%$	71%	71%	70%	71%	71%	72%	73%	74%
Debt Ratio for Capital Funding	Strive for 80%	67%	73%	80%	76%	74%	72%	74%	72%
Debt / Assessed Value Ratio	$\leq 1.75\%$	0.96%	0.99%	1.14%	1.12%	1.14%	1.08%	1.09%	1.03%
Debt Service as % Total Expenditures	Strive for $\leq 20\%$	17%	15%	16%	18%	19%	19%	20%	20%



# Next Steps

# Notable dates regarding Debt & Capital

- **Today**
  - Board questions and feedback
- **May 5**
  - Manager presents recommended FY2026 budget
- **May 12 and May 22**
  - Budget Work Sessions
- **May 19 and May 20**
  - Budget Public Hearings
- **June 2**
  - Board adoption of FY2026 budget and FY2026-FY2032 CIP



# Questions



# Appendix



# Planned future GO referenda

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
<b>Ballot Timing</b>	<b>Nov 2024</b>	<b>Nov 2025</b>	<b>Nov 2026</b>	<b>Nov 2027</b>	<b>Nov 2028</b>	<b>Nov 2029</b>	<b>Nov 2030</b>	<b>Nov 2031</b>
WCPSS	\$703.6 M * LOBs for FY26-FY27		\$698.6 M 2-yr Bond for FY28-FY29		\$717.2 M * LOBs for FY30-FY31		TBD 2-yr Bond for FY32-FY33	
WTCC			\$144.05 M 4-yr Bond for FY28-FY31				TBD 4-yr Bond for FY32-FY35	
Libraries	\$142 Million 6-yr Bond <input checked="" type="checkbox"/> Approved							
<b>GO Bond Questions</b>	1		2		n/a		2	
<b>GO Bond Questions Total Amount</b>	\$142 M		\$842.65 M (est.)		n/a		TBD	
<b>Tax Levy for Approved GO Bond</b>		.25 ¢ for Libraries Nov 2024 Ballot		.50 ¢ (est.) for Education Nov 2026 Ballot				TBD for Education Nov 2030 Ballot

\* County has capacity to issue LOBs without necessary tax increase (subject to change in future based on change in County financial performance & economic factors)

# Past GO referenda results

Referendum	Purpose	Bond (\$ millions)	Tax Increase (cents)	Approved (Yes/No)	% Voter Approval	% Turnout of Registered
1993 June	Libraries	10	-	Yes	56%	19%
	Parks	10	-	Yes	51%	
	Wake Tech	30	-	Yes	51%	
	Schools	200	-	Yes	56%	
1996 June	Schools	250	-	Yes	79%	14%
1999 June	Schools	650	13.00	No	35%	25%
2000 November	Open Space	15	-	Yes	77%	69%
	Public Safety	20	-	Yes	58%	
	Schools	500	-	Yes	78%	
2003 October	Libraries	35	-	Yes	68%	21%
	Schools	450	-	Yes	64%	
2004 November	Open Space	26	-	Yes	74%	78%
	Wake Tech	40	-	Yes	75%	
2006 November	Schools	970	2.70	Yes	53%	41%
2007 October	Libraries	45	0.30	Yes	70%	11%
	Open Space	50	0.30	Yes	71%	
	Wake Tech	92	0.75	Yes	68%	
2012 November	Wake Tech	200	-	Yes	73%	75%
2013 October	Schools	810	4.40	Yes	58%	15%
2018 November	Schools	548	2.30	Yes	67%	57%
	Wake Tech	349	1.15	Yes	65%	
	PGROS	120	0.35	Yes	68%	
2022 November	Schools	530.7	0.60	Yes	71%	54%
	Wake Tech	353.2	0.40	Yes	70%	
2024 November	Libraries	142	0.25	Yes	56%	72%

# Debt policies and guidelines

- **Fund balance minimum**

- Combined fund balance of County's General Fund and Debt Service Fund will equal at least 30% of current fiscal year revenues
- Answers the Question: How much cash liquidity should County maintain?
- Can weather the unknown – drop in Revenues or increase in Expenses
- Can continue to meet obligations early in the Fiscal Year prior to County receiving majority of property tax revenues (Nov-Dec)

# Debt policies and guidelines

- **Total debt maximum**

- County will manage its debt to no more than 2.5% of total assessed valuation
- Answers the Question: What should be maximum debt load of County?
- Ensures citizens are not faced with undo tax burden
- Actively manage to stricter 1.75% threshold

# Debt policies and guidelines

- **Debt repayment minimum**

- County will maintain repayment of 70% of its outstanding debt within 10 years
- Answers the Question: To what extent is timely debt repayment a priority of the County?
- Currently model for 19-year amortization of bonds
- Issue debt with level principal repayment structure
- Allows for acceleration of payoff and minimizes interest costs

# Debt policies and guidelines

- **Variable rate debt maximum**
  - County's variable rate debt will not exceed 20% of its total debt portfolio
  - Answers the Question: What is County's comfort level for variable rate risk exposure?
  - Mitigates risk inherent with variable rate debt which is subject to market fluctuation
  - Ensures taxpayers do not pay disproportionate amount of variable rate interest costs

# Debt policies and guidelines

- **Desired debt service maximum**
  - County strives to cap its debt service expense to 20% or less of total Gov expenditures
  - Answers the Question: How much of County resources are committed to debt service?
  - Ensures County not burdened with massive debt service relative to total expenditures
  - Ensures judicious and appropriate use of debt as a tool to fund major capital needs

# Debt policies and guidelines

- **Desired Debt / PAYGO (cash) funding ratio for capital**
  - County strives to maintain an 80/20 ratio of debt/cash funding for its major capital needs
  - Answers the Question: What is optimal ratio of debt/cash funding for capital?
  - Maintaining cash provides flexibility and helps prop up other policy metrics (fund balance)
  - Helps manage debt loads by committing cash funding to certain appropriate capital needs



# Debt policies and guidelines

- **Timing of capital project appropriation for WCPSS & WTCC**
  - County will appropriate debt for WCPSS & WTCC capital projects only after debt proceeds have been secured
  - Answers the Question: When is the optimal timing to allow project spending to begin in debt funded capital projects of WCPSS & WTCC?
  - Protects against unnecessary draining of cash balances early in the Fiscal Year when liquidity is needed prior to County receiving majority of property tax revenues (Nov-Dec)
  - Should a market correction occur within the debt market, thus delaying the timing of a debt sale, County would be protected against prolonged and sizeable unreimbursed expenditures

# Debt policies and guidelines

- **Use of construction financing**

- aka, “Draw Programs”; “Bond Anticipation Notes”; “BANs”
- County will utilize short-term construction financings as the initial, temporary funding source for capital needs of WCPSS and WTCC, so long as such construction financing tools are market-available to County and so long as benefits and advantages persist in County’s use of such construction financing tools
- Answers the Question: Is County maximizing use of available short-term debt instruments for its benefit?
- Near-term debt service costs are reduced thereby delaying and/or minimizing necessary tax increases; allows debt service to be commensurate to project spending in early years of major projects; helps County better mitigate potential for arbitrage on bond proceeds



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